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MANAGEMENT TECHNIQUES AND THEIR APPLICATION IN LESS DEVELOPED AREAS : WORKERS' MANAGEMENT IN YUGOSLAVIA

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MANAGEMENT TECHNIQUES AND THEIR APPLICATION IN LESS DEVELOPED AREAS

WORKERS' MANAGEMENT IN YUGOSLAVIA

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1. The function of management in individual enterprises is becoming an increasingly important factor for the economic growth and social progress of nations. The degree of efficiency with which people apply their physical and intellectual abilities, and the purposefulness with which the land, minerals and other natural resources, then tools, machinery, buildings, transportation and other equipment are utilized - all this depends to an ever greater extent on the suitable choice of management techniques.

Considering that "The achievement of economic progress is everywhere dependent upon the combined influence of

- natural and human resources,
- scientific discoveries and inventions,
- engineering applications,
- business organization and management,
- the economic system,
- the government system"[1)]

and taking into account that development policies can most easily and readily influence the fourth group of these factors, it is probably not an overstatement to declare that management techniques have a strong impact on the standard of living, the rate of its growth and the degree of contentment within communities, regardless of their specific characteristics and irrespective of the level of development already achieved.

2. It is clear, however, that the managers of economic enterprises in less-developed areas must take into account certain specific difficulties, the roots of which lie in the deficiency of adequately skilled workers, as well as in the social, institutional and political structure of such countries, which as a rule differ from the structure of relatively highly developed countries in which management techniques as known today were established and developed.

3. Finding ways and means of successfully overcoming these specific difficulties requires the clearest and fullest possible comprehension of the various degrees of development. It would not only be incorrect, but even dangerous, were we to neglect the differences between the conditions within individual less-developed countries when taking practical measures. This is not the place to go into detail about the appropriateness of the new theories describing stages of economic growth,[2)] or about the justness of the sometimes rather severe criticisms of such theories.[3)] We must take into account, however, that the

1) Moulton, H.G., Controlling Factors in Economic Development, The Brookings Institution, p. 358, Washington D.C. (1949).

2) Rostow, W.W., The Stages of Economic Growth, The University Press, Cambridge (1960)

3) Al'ter, L., O noveišei buržuaznoj teorii "ekonomičeskogo rosta", Voprosi ekonomiki, 6, 84-98 (1961).

differences in the levels of advancement of less-developed areas are at times quite considerable. In selecting a general method of management we must, therefore, apart from other things, be guided by the consequences of a given country's being precisely at a given particular stage and not any other in its socio-economic development.

4. In spite of these differences there are certain characteristics common to all the less-developed countries which are important for the selection of optimum management techniques. These common characteristics must be taken into account along with factors like the kind of activity performed by the enterprise and its size, which also influence the choice of management techniques. Perhaps it is not an oversimplification to define these common characteristics as (a) a relatively high percentage of farmers, the majority of whom are small land-owners; (b) a relatively fast process in the rural population's urbanization, the greater part of which population has no broader culture, lacks technical knowledge and is quite unaccustomed to work in the highly technical environment of modern urban industries, while they bring along outdated views and old social habits into their new surroundings; (c) a general lack of financial resources, and (d) above all, a more or less inadequate infrastructure.

5. It is consequently understandable why some efficiency experts think that less-developed countries cannot profit very much from the classic techniques of scientific management.[4] Even the extension of Taylorism to agriculture building construction works and other non-industrial activities, does not seem to many a matter of high priority, because of the abundance of labour - partly underemployed and partly unemployed - while money and real capital is scarce, so that the old antithesis: capital-intensive versus labour-intensive production processes, influences the choice of management techniques as well.

It appears, nevertheless, that managers in less-developed areas should not entirely give up this "good old" method of rationalization. It would only be wrong to exaggerate and consider it the most important management technique, as some time-and-motion study experts perhaps still do.

6. It was the physiological school of scientific management which, in combination with Fayol's theory of rational administration, played a dominant role in the development of science of organization during the First Quarter of the 20th Century. Workers were first of all considered as component parts of the organizational machinery, considering that their behaviour could be understood and controlled on the basis of a rather elementary konwledge about some physiological and psychological qualities of men,

In the Second Quarter of this Century, the human relations school of thought predominated - often in strong opposition to Taylorism-Fayolism. It regarded workers as beings with complex feelings who work well only when adequately motivated. Detailed studies of the causes and possibilities of preventing conflicts among workers, as well as on group cohesion and group dynamics, were taken up during this period.

The most recent contributions in this field regard the worker primarily as an intelligent being capable of solving various problems and consequently reaching corresponding dicisions at all levels of the organizational hierarchy.[5]

7. During the last decade, a new theory has been developing which, while constituting a synthesis of the essential teachings of the three above mentioned schools of thought, bases the organization of economic enterprises primarily on the mechanism of decision making. According to this theory, the most important function of management is the optimum distribution of authority for the bringing of specific decisions. With the help of operations research and other mathematical methods, and with the growing possibilities for the use of

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4) "Our aim is to develop underdeveloped countries. To do so by concentrating efforts upon an increase of labour productivity by means of industrial engineering (vintage Taylor, Gilbreth, et al.) is ineffective due to the limited influence of the industrial sector upon gross national produce."
Chapiro, J., Operations Research Experience in an Underdeveloped Economy. Management Sciences. Proceedings of the VI. International Meeting of the Institute of Management Sciences. Vol. I., p. 112. Pergamon Press, London (1960)

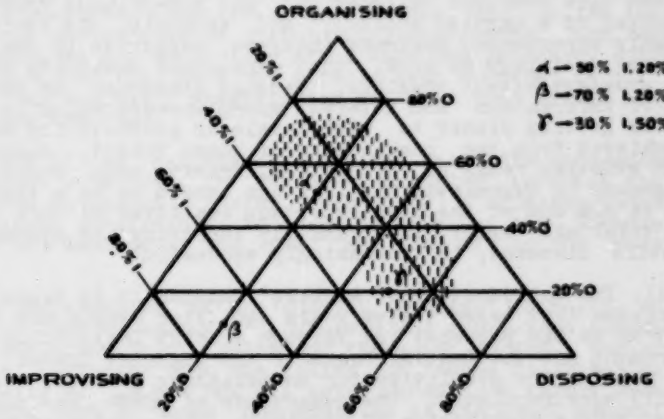
5) March, J.C.& Simon, H.A., Organizations, John Wiley and Sons, Inc., New York (1958).

electronic computors, entirely new procedures are about to change the intuitive art of management into an objective science of organization. These modern techniques are, as a matter of fact, already being applied in some of the less-developed countries.

The numerous decisions taken in enterprises are neither identical in the way they are brought, nor in respect to subject. For instance, a decision of an economic enterprise, relative to its scope, duration and general nature, may be:

- an "improvization"
- a "disposition" (to be understood as an operational decision) or
- "organization" (to be understood as the conscious act of organizing.)[6]

It is true that the border between these three kinds of decisions is always flexible and sometimes changing. It is also true that in practice there are never distinct types of decision, but, as a rule, such types that have all the caracteristics in varying combinations, as, for instance, in Fig. I. for types of decisions α, β and γ. It does not inevitably follow from this, however, that we could, without doing harm, underestimate the value of systematic analyses, or believe that the management of enterprises can be properly organized without them.



8. The results of such analyses, which, it is understood, take into consideration many other characteristics too, raise the question of who brings the decisions. The modern theory of organization is reviving the old problem of centralization versus decentralization, that has been tackled with some success, although from an entirely different aspect, by the psychological school of organizers, and has gained renewed momentum in the world-wide productivity movement of today. Decentralization of managerial authority is being proposed by many and practised for extremely diverse reasons. If, particularly from the standpoint of the less-developed countries, it is true that "...a productivity drive requires wholesome cooperation and understanding from workers" and that "The social disruption, lack of social skills, and consequent lack of adequate communications between the individuals and their environment create exactly the opposite social temperature to that required"[7] then the only solution is in decentralizing as much as possible. From the point of view of the promotion of the efficiency of a big firm, Mr. R.J. Cordiner, President of General Electric, formulated ten principles for decentralization, the first being: "Decentralization places authority to make dicisions at points as near as possible to where actions take place"[8]. The decentralization of the management of the economy which

6) Henning, K. W., Betriebswirtschaftliche Organisationslehre, Springer-Verlag, pp.16-17, Berlin (1948).
7) Chapiro, J., loc.cit.
8) Cordiner, R. J., New Frontiers for Professional Managers, McGraw Hill Book Company, Inc., pp.50-52, New York (1956).

was begun in the Soviet Union several years ago - although at different levels and to varying extents - will necessarily bring about decentralization in enterprises also, in their establishements and work-shops. It appears then that highly centralized management techniques, be they autocratic or bureaucratic, are rapidly losing ground.

9. The practice of decentralizing managerial authority in Yugoslavia is about twelve years old, but some of its roots are much older. The ideas of socialist thinkers and the programmes of progressive labour movements of the 19th and 20th Century, have gradually strengthened the struggle for industrial democracy. While passing through certain theoretical discordances and a series of compromises which political practice was forced into, this struggle resulted in the creation of joint consultation, co-determination, works councils, and the like. However, whereas "... the functions of Works Councils are informative and consultative "9) workers in Yugoslavia are really the managers of the enterprises in which they work.

10. This paper will now describe the Yugoslav system of workers' management, although it is realized that this could not be done adequately even if the space and time allowed were much greater.

This system was conceived in Yugoslavia from the merging of two widely different currents of ideas: the old socialist aspiration for the emancipation of labour, organized without external coercion, by voluntary associations of producers who have overcome "alienation" and superfluous frustration, thus forming the nuclei of a happier society; and, secondly, the strictly pragmatic demand of highly experienced business managers, supported by the latest results of psychology and sociology of work, that managerial authority must be decentralized to the greatest extent possible, because otherwise we should never attain the degree of information and interest among workers which is a necessary prerequisite for getting closer to such levels of productivity which theoretically could be achieved from the combination of human talent, disposable natural resources and existing means of production. Drawing upon these two sources, workers' management in Yugoslavia has long ago ceased to be a timid scholarly experiment. It is now one of the most important realities of life which, through the process of trial and error, is gradually improving its mechanism, and despite some infantile diseases, is increasingly successful.

11. The introduction of workers' management in Yugoslav enterprises is a steady process that began twelve years ago. Five stages are discernable in its development up to the present: (a) Through a Joint Instruction issued by the Federal Government and the Central Board of the Yugoslav Trades' Union Federation, in December 1949, the modalities for establishing Workers' Councils with limited authority were regulated. The competence of these new bodies of management were limited to the examination of proposals, the expression of opinions and the proposal of measures to be taken. (b) Six months later, June 28, 1950, the Basic Law on the Management of Economic Enterprises by Working Collectives was passed. This document clearly stated that the working collectives manage the economic enterprises, which are the property of the Yugoslav society as a whole, that they execute their managerial rights through the Workers' Councils and Management Boards, and that the director of the enterprise conducts the regular business operations. (c) The third stage began two and a half years later when the Constitutional Law, promulgated in 1953, stipulated that the working collectives manage directly and through the Workers' Council. (d) The fourth stage was the further implementation of the principle of bringing each member of the collective closer to the practical performance of management functions. The most important feature of this process was the beginning of the formation of "economic units", namely smaller self-governing component production units or other departements, within each enterprise. These "economic" units, as the organizational and also sociological elements of the enterprise, are smaller production and management entities whose activities are more homogeneous than those of the entire enterprise, thereby facilitating a more profound understanding of its problems, which is essential for efficient management. (e) A new stage will begin with the implementation of the new Constitution whose draft foresees, in a number of paragraphs, that one of the basic rights of the workers is the management of economic and other organizations to which they belong.

12. Workers'management, of course, is no substitute for the other management techniques that are applied today. Rather, it is their complement, and

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9) Vallstrand., L., Works Councils in Sweden, European Productivity Agency, p.6, Paris.

the necessary pre-condition for their efficient application within a society like that in Yugoslavia. The organization of good communications within the enterprise, recruitment, selection and training of workers and managers, management of production facilities and cost accounting, the establishment of good relations between industry and government[10] and many other tasks, are the daily concern of the Workers' Councils, Management Boards and directors in the country. The long-term, far-reaching and more general tasks, whose performance requires organizational measures, fall within the competence of the whole collective and the central Workers' Council, while the Management Board, as a rule, deals with a whole series of operational business "dispositions" implementing them through the director who, in carrying out the general policy of the Workers' Council within the limits of his authority, frequently brings decisions that are, in character, closer to the pole of "improvization" in Fig.I. We repeat, however, that this is not strictly the rule, for there may be occasions when the central Workers' Council must improvize, and vice versa. It is important that in such a structure of management, the attitude towards work, towards the interests of the enterprise as a whole, towards the director and towards the technical experts is undergoing radical change. In view of the fact that the personal earnings of the Yugoslav worker are being formed on the basis of his work performance and the achievements of the "economic unit", as well as of the whole enterprise in which he works, all the members of the collective are vitally interested in getting the best instruction and having the best organization of production process from their director and/or technical, economic, commercial, financial and other experts of the enterprise. The directors are no longer despised "slave drivers", but are useful and respected counsellors and leaders, who, in the improved atmosphere, relieved of the worries of maintaining discipline, now carry on those highly skilled functions for which they alone have the necessary qualifications. It need not be understood that this has already been achieved in all Yugoslav enterprises, but it can without exaggeration be said that things are developing much faster than was expected.

13. Figure II. is self-explanatory and shows the management structure of a larger Yugoslav enterprise in the metal industry in which the "economic units" have their own management bodies, and quite a differentiated system of specialized technical commissions. Besides members of the Workers' Councils, experts, who are not members at the time, may also sit at the meetings of the commissions.

14. The competencies of the central Workers' Councils encompass all the prerogatives of top management: long-term and short-term planning, the determining of general production, sales and financial policy, the conducting of personnel affairs including also the policy of income distribution, and so on. The Workers' Councils of larger and big enterprises have lately been transferring an ever growing part of their competencies to the staff assemblies and the Workers' Councils of the "economic units", in the first place for the sake of achieving that "... wholesome cooperation and understanding..." which is one of the pre-conditions for the successful application of all other management techniques.

15. An enquiry conducted by the Secretariat of Labour of the Federal Executive Council in March 1962 (which took in 13,299 or about 70 percent of the 19,000 or so enterprises and other organizations that were in existance at that time), revealed that 7,338, or about 56 percent of the enterprises canvassed had based their organization on "economic units". Table 1 shows the varying intensity with which different rights of decision had been effected on the part of the "economic units" in various fields of economic activity. The percentages are high, but when drawing a conclusion it should be borne in mind that this development is just at its beginning and, though the figures in themselves are correct, they do not always mirror the fact that the newly created "economic units" cannot yet possess the full measure of management skill and experience.

16. To evaluate the intensity of the influence of workers' management, quantitative factors must also be taken into consideration and not just qualitative ones. TABLE 2 shows the number of workers that had participated in workers' management bodies in the course of 1960. If it is taken into account that there were about 2,400.000 people employed in the socialized sector of the economy that year, and that about 30 percent of the members were re-elected for a second term of office at the annual and less frequent bi-annual elections; then it is

10) Management of Industrial Enterprises in Under-developed Countries, United Nations publication, 58.II.B.5., New York (1958).

not difficult to perceive that a large majority of all the employed will have been active in bodies of workers' management in the course of some fifteen years especially if membership in the Workers' Councils of the "economic units", which the table does not take into consideration, were also to be taken into account.

17. In the present stage of the economic, social and political development of Yugoslavia, the workers' management system is a good solution. Although it is difficult to accept without further qualifications the assertion of a distinguished ILO expert, MR. R. C. Wynne-Roberts, that "... the Yugoslav system of management of enterprises through an elected committee drawn from all classes of workers (and in larger enterprises, subsidiary shop-committees) seems to offer the newly arrived peasant the type of consultative mechanism with elective rights not essentially different from the social organization to which he is accustomed in his own village,"[11] it is nevertheless correct that for some less-developed countries workers' management could be interesting from that point of view too. The aim of keeping the price of industrialization and development of less-developed countries in general as low as possible, is quite justified. Consequently, when choosing a general pattern of management, there is no need to believe, a priori, that the difficult path of the classical industrial revolution is the only solution. There are ways for creating proper development policies by benefiting from the experiences of others, and choosing management techniques which would minimize the losses in happiness and human dignity. That is definitely something worth fighting for.

RIGHTS OF ECONOMIC UNITS

	ECONOMIC ACTIVITY	Number of enterprises having economic units	Economic units decide in matters of			
			labor relations		income distribution	
			number	%	number	%
a	b	1	2	3	4	5
1	Commerce	1 992	759	38	381	19
2	Public Utilities	202	78	39	49	24
3	Small-scale Industry, Crafts and Services	984	435	44	196	20
4	ALL ACTIVITIES	7 338	3 658	50	2 361	32
5	Agriculture	1 568	808	52	575	37
6	Construction	380	197	52	118	31
7	Transport	299	159	63	117	39
8	Manufacturing and Mining	1 833	1 167	64	879	48
9	Forestry	80	55	69	46	58

TABLE 1.

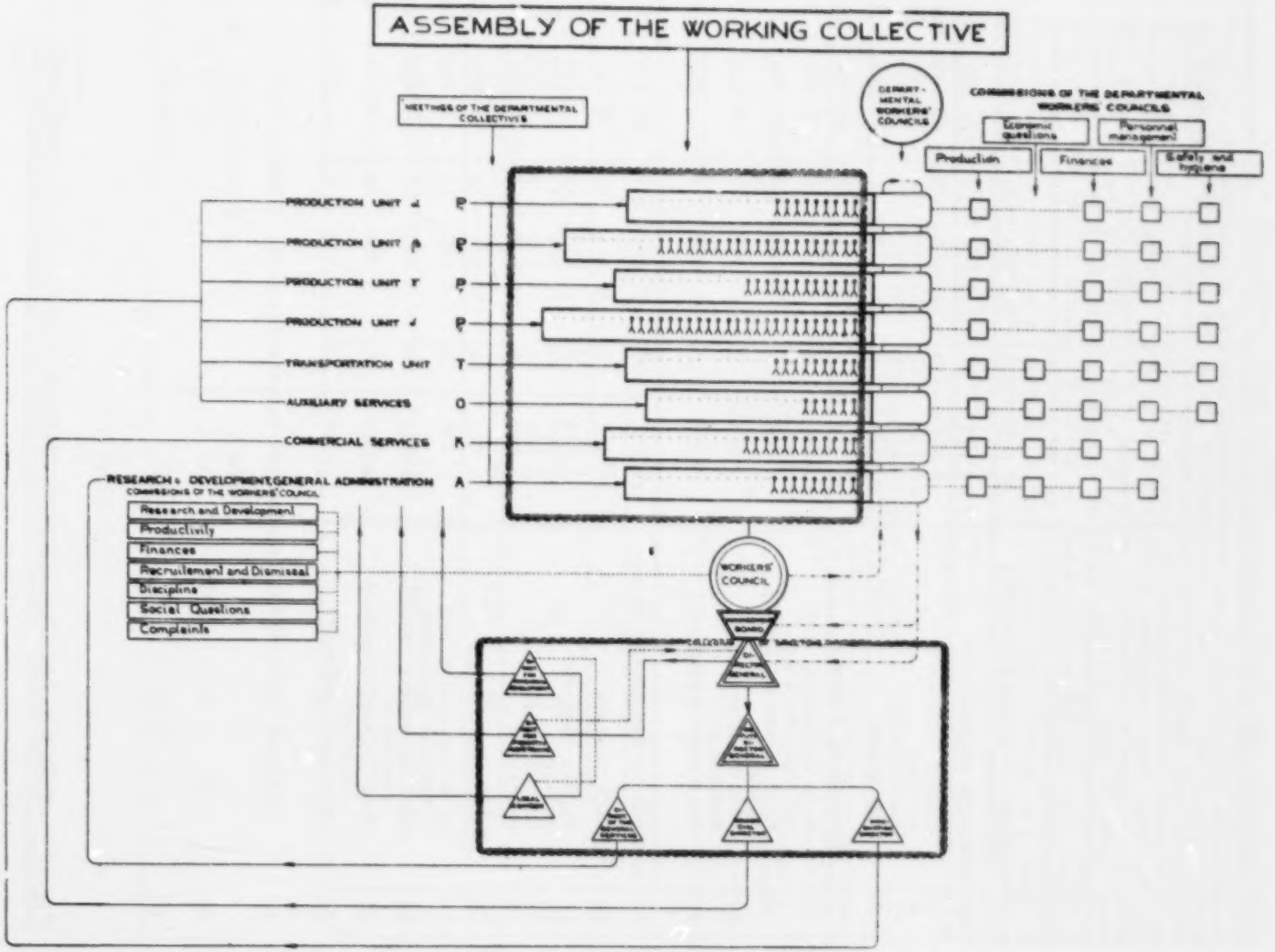
11) Management of Industrial Enterprises in Under-developed Countries, loc. cit. and Industrialization and Productivity, 2, 44-45, United Nations, New York (1959)

NUMBER AND COMPOSITION OF
WORKERS COUNCILS AND MANAGEMENT BOARDS
(1960)

		In enterprises with 7 to 29 workers		In enterprises with 30 workers and more		In all enterprises	
		number	%	number	%	number	%
a	b	1	2	3	4	5	6
1	MEMBERS OF WORKERS COUNCILS	60 871	100	156 300	100	217 171	100
2	Manual Workers	49 272	81	119 157	76	168 429	78
3	Highly Skilled	6 009	10	23 649	15	29 658	14
4	Skilled	24 752	41	63 348	41	88 100	41
5	Semiskilled	10 115	16	20 885	13	31 000	14
6	Unskilled	8 396	14	11 275	7	19 671	9
7	Non-manual Workers	11 599	19	37 143	24	48 742	22
8	With University and College Education	1 644	3	6 480	4	8 124	3
9	With Secondary School Education	5 132	8	18 742	12	23 874	11
10	With Primary School Education	3 847	6	11 002	7	14 849	7
11	Auxiliary Employees	976	2	919	1	1 895	1
12	MEMBERS OF MANAGEMENT BOARDS	17 191	100	51 261	100	68 452	100
13	Manual Workers	13 118	76	34 445	67	47 563	70
14	Highly Skilled	3 256	19	9 893	19	13 149	19
15	Skilled	6 750	39	17 844	35	24 594	36
16	Semiskilled	2 144	12	4 551	9	6 695	10
17	Unskilled	968	6	2 157	4	3 125	5
18	Non-manual Workers	4 073	24	16 816	33	20 889	30
19	With University and College Education	1 209	7	5 658	11	6 867	10
20	With Secondary School Education	1 734	10	7 702	15	9 439	13
21	With Primary School Education	1 043	6	3 284	6	4 327	6
22	Auxiliary Employees	84	1	172	1	256	1

Source: Statistical Yearbook of Yugoslavia, p.29, (1962)

TABLE 2


ASSEMBLY OF THE WORKING COLLECTIVE
MEETINGS OF THE DEPARTMENTAL COLLECTIVES
DEPARTMENTAL WORKERS' COUNCILS
COMMISSIONS OF THE DEPARTMENTAL WORKERS COUNCILS
General questions
Personnel management
Production
Finances
Safety and hygiene
PRODUCTION UNIT α
PRODUCTION UNIT β
PRODUCTION UNIT γ
PRODUCTION UNIT δ
TRANSPORTATION UNIT
AUXILIARY SERVICES
COMMERCIAL SERVICES
RESEARCH & DEVELOPMENT, GENERAL ADMINISTRATION
COMMISSIONS OF THE WORKERS' COUNCIL
Research and Development
Productivity
Finances
Recruitement and Dismissal
Discipline
Social Questions
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WORKERS' COUNCIL

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